

AMENDMENT UNDER OAL RULE 100

Statement of Explanation

Title 18. Public Revenue

Regulation 1586, *Works of Art and Museum Pieces for Public Display*

A. Factual Basis

Regulation 1586 generally addresses *Works of Art and Museum Pieces for Public Display*. The State Board of Equalization hereby proposes to amend this regulation under OAL Rule 100.

Assembly Bill 2533 (Ch. 281, Stat. of 2006) amended Revenue and Taxation Code (RTC) section 6365 to expand the exemption for original works of art to include those leased from one nonprofit organization to another nonprofit organization for 35 years or more. Another amendment to RTC section 6365 clarifies that items of clothing or personal adornment may be original works of art. As a result of those statutory changes, the Board has concluded that the corresponding regulatory provisions should also be changed. Revisions to Regulation 1586 are proposed to incorporate the statutory change. These revisions are appropriate for processing under section 100 because they make the regulation consistent with a statutory change.

B. Proposed Amendments

Subdivision (b)(1)(B) - operative language stating that items of clothing or personal adornment may be original works of art. Subdivision (c)(1)(A) (1-4) move text “purchased by”. Subdivision (c)(1)(A)(5) Operative language stating application of exemption to original works of art leased from one nonprofit organization to another nonprofit organization for 35 years or more, if both lessor and lessee are nonprofit organizations as defined in subdivisions (c)(1)(A)(2) and (c)(1)(A)(3) of this regulation. Subdivision (c)(1)(B) operative language stating a permanent collection may be leased and that “permanent collection” as it applies to leases of original works of art, means a collection with a lease term of 35 years or more.

Reference- Revenue and Taxation Code sections 6365 and 6366.3.

The foregoing changes are appropriate for processing under Rule 100 because they make the regulation consistent with statutory changes and change reference citations.